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Message Text

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47
ACTION SS-30

INFO OCT-01 ISO-00 /031 W
---------- 112728
P 131831Z JUL 74
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC PRIORITY 9379

C O N F I D E N T I A L SANTIAGO 4125

EXDIS

E.O. 11652: GDS
TAGS: EIND, CI
SUBJ: ANACONDA NEGOTIATIONS

REF: STATE 148934; SANTIAGO 3973; SANTIAGO 4063

1. SUMMARY. GOC NEGOTIATOR RAUL SAEZ ON JULY 13 TOLD AMBASSADOR THAT ANACONDA SETTLEMENT HAS BEEN REACHED BASED ON PRESENT VALUE, THAT NO MENTION IS MADE OF EXCESS PROFITS DEDUCTIONS LEAVING EACH SIDE TO MAKE ITS OWN INTERPRETATIONS, AND THAT QUIGLEY IS EXPECTED TO SIGN AGREEMENT BY END OF JULY. END SUMMARY.

2. SAEZ SAID AGREEMENT, WHICH HE EXPECTS QUIGLEY TO SIGN AFTER FEW DAYS OF WORK IN SANTIAGO, HAS TWO PARTS. FIRST CONCERNS ANACONDA NOTES FOR 51 PERCENT PURCHASED UNDER FREI. THESE WILL BE REVALIDATED BUT WITH PAYMENTS EXTENDED TWO YEARS BEYOND ORIGINAL TERMS TO ALLOW GOC STRETCH OUT SUBSTANTIAL PAYMENTS NOT MADE UNDER ALLENDE. NOMINAL INTEREST RATES WILL ALSO BE RAISED TO TEN PERCENT, (INCLUDING CHILEAN TAXES) SAEZ SAID, INSTEAD OF SIX PERCENT (TAX FREE) IN ORIGINAL NOTES TO GIVE ANACONDA ADDITIONAL REAL RETURN OF APPROX-IMATELY ONE PERCENT AFTER US TAXES. SECOND PART OF SETTLEMENT WILL COVER OTHER 49 PERCENT OF ANACONDA PROPERTIES. A SPECIFIC FITURE HAS BEEN AGREED UPON, AND ANACONDA WILL BE PAID FULL AMOUNT IN CASH WHEN SETTLEMENT SIGNED. GOC HAS ARRANGED TO BORROW MONEY FOR THIS PAYMENT FROM COMMERCIAL (PROBABLY NEW YORK) BANKS.

3. AMBASSADOR WAS ASSURED BY SAEZ THAT COMPENSATION FORMULA WAS WORKED OUT ON BASIS OF PRESENT VALUE AND GOC DOES NOT RPT NOT INTEND
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TO MAKE ANY MENTION OF EXCESS PROFITS. BOTH SIDES ARE THEREBY LEFT

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FREE TO PUT OWN INTERPRETATION ON AGREEMENT.

4. GOC EXPECTS KENNECOTT NEGOTIATORS TO ARRIVE JULY 22. WITH ANACONDA CASE SETTLED, SAEZ WAS OPTIMISTIC THAT KENNECOTT WOULD BE MORE FLEXIBLE.

5. COMMENT. I BELIEVE THAT HANDLING OF EXCESS PROFITS QUESTION ALONG LINES OUTLINED BY SAEZ IS SOMETHING BOTH SIDES CAN LIVE WITH. CERTAINLY ANY ATTEMPT TO CHANGE FORMULA NOW WOULD CAUSE GREAT PROBLEMS. PLEASE ADVISE IF DEPT PERCEIVES ANY DIFFICULTIES.
POPPER

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